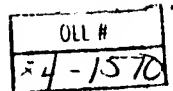




EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503



April 13, 1984

**LEGISLATIVE REFERRAL MEMORANDUM**

**TO:** Legislative Liaison Officer

✓ Central Intelligence Agency (Title VI)  
Veterans Administration (Title I, Part D)  
Department of Commerce (Title VI and VIII)  
Department of Defense (Title VI)  
Department of Health and Human Services (Title III,  
(Part B, Sec. 326)  
Department of Housing and Urban Development (Title XI)  
Department of Justice (Title I, Part C; Title XIII, Sec. 1307)  
Department of the Treasury (Title IV and Title VII)  
Department of State (Title VI)

**SUBJECT:** H.R. 5240 - the "Higher Education Amendments of 1984."

Enclosed FYI is a fact sheet put out by the House Committee on Education and Labor.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than Friday, May 11, 1984.

Questions should be referred to Warren Hillman

( 395-5880 ) or to Phoebe Felk

( 395-3736 ),

the legislative analyst in this office.

*Naomi R. Sweeney*  
Naomi R. Sweeney for  
Assistant Director for  
Legislative Reference

Enclosures

# H.R. 5240

## FACT SHEET HIGHER EDUCATION ACT AMENDMENTS OF 1984 (H.R. 5240)

The Higher Education Act of 1965, as amended, includes a wide variety of programs of institutional assistance, student assistance and services, and programs which contribute to the role colleges and universities play as a community, national and international resource. These programs were developed over the past three decades in response to demonstrated needs and the emerging Federal role in postsecondary education. In recent years, however, the panoply of Federal higher education programs have become increasingly burdensome for administrators and too complex for parents, eligible students and others to understand, and difficult for Congress to oversee and fund in a way which assures effective and efficient achievement of legislative intent.

The reauthorization legislation (H.R. 5240) introduced by Representative Paul Simon and 25 Members of the House on March 22, 1984, emphasizes four basic themes:

- (1) Expanded access for needy undergraduate and graduate students;
- (2) Simplification of student aid and institutional assistance programs, with special emphasis on institutions serving minority and low income students;
- (3) Enhanced quality through library support, assistance for faculty study and teaching abroad, merit scholarships for future teachers and graduate students in certain disciplines, and improved research facilities and instrumentation loans and grants; and
- (4) New endowment development programs to assist in institutional growth.

The reauthorization provisions are highlighted by the following major changes in the existing law: (1) reorganization of the student aid programs into one work (College Work Study), one loan (Guaranteed Student Loan), and one grant to be used at the discretion of the institution; (2) establishment of an expanded continuing/community education program—including a correctional education program, the Veterans Costs of Instruction, a literacy initiative and educational outreach; (3) rewriting the teacher education and teacher preparation title to provide scholarships for students who intend to teach, fellowships for talented teachers, discretionary grants for college-school partnerships and grants to colleges and universities to improve curriculum, field experience and teaching methods for student teachers; (4) significantly expanding the Cooperative Education program to provide more private sector, career-relevant work opportunities for all students; (5) creation of a new endowment grant assistance program; and (6) encouragement of faculty study and teaching abroad.

## **TITLE I—CONTINUING AND COMMUNITY POSTSECONDARY EDUCATION**

In order to improve the delivery of continuing education programs through Title I of the Higher Education Act, the following recommendations are made:

- (1) Eliminate Part A—Establishment of the Commission on National Development in Postsecondary Education;
- (2) Revise Statewide planning and information functions in Part A;
- (3) Eliminate the National Advisory Council on Continuing Education; and
- (4) Redesign Title I as follows:

Part A: Education Outreach Programs funded at \$20 million for FY 1986, \$30 million for FY 1987, \$40 million for FY 1988, \$50 million for FY 1989, and \$60 million for FY 1990;

Part B: Literacy Training;

Part C: Educational Programs for Correctional Facilities; and

Part D: Veterans Cost of Instruction Program.

## **TITLE II—STRENGTHENING LIBRARY RESOURCES**

The revised Title II will include the major library programs: Resource Development Grants and Training (Part A) and Research and Development Grants (Part B). The Research Library function will be retained in the proposed revisions of Title II of the Act, while the Periodical Centers for Foreign Language Materials will be placed in Title VI of the Act.

In order to improve the delivery of library resources through title II, the following recommendations are made:

- (1) Target resource development grants on needy schools by establishing criteria which must be met in order to receive a grant;
- (2) Place more emphasis on technologies and strengthening minority education programs. (Training, Research and Development);
- (3) Eliminate Part D, except for the foreign language periodical system which would be transferred to Title VI; and
- (4) Establish a unit in the Office of Postsecondary Education responsible for all library programs.

## **TITLE III—INSTITUTIONAL AID**

The revised Title III includes four parts:

Part A: Strengthening Institutions;

Part B: The Black College and University Act;

Part C: Challenge Grants; and

Part D: Hispanic Institutions.

Part A incorporates the current eligibility criteria (Pell Grant/Campus-based awards and low educational and general expenditures) and the program activities in Part A and B of Title III. The 30 percent setaside for junior and community colleges is retained. In addition, the changes are:

- (1) Clarify Part A eligibility to assure continuing eligibility for all planning grants (one year) and 1-3 year grant recipients, while all 4-7 year grantees would be denied further access to the program, except for Challenge Grant purposes, unless granted a waiver (provided for in law) by the Secretary;

- (2) Require the Secretary to use the most recent and relevant student assistance data in making eligibility determinations, i.e., advancing the base-year one year forward following each annual grant cycle;

- (3) Establish a mandatory waiver mechanism for institutional eligibility and a discretionary waiver governing continuing program participation (beyond) the seven year graduation data) when certain statutory criteria are met.

(4) Mandate that all administrative provisions affecting eligibility, uses of funds, program activities, etc., be included in regulations which comply with the Administrative Procedures Act and the Higher Education Act in providing for public comment and legislative review;

(5) Delete Part B of Title III entirely and require use of both Pell Grant and campus-based Title IV assistance to determine institutional eligibility under Part A; and

(6) Extend the endowment grant provisions of the Challenge Grant Act Amendments of 1983 (P.L. 98-25).

The following authorization levels would be established: (1) \$175 million in FY 1986 for Part A, increasing that amount by \$25 million for each fiscal year thereafter through 1990. The Part C authorization in FY 1986 would be \$50 million and would increase by \$10 million each fiscal year through FY 1990.

H.R. 5240 establishes a new Part B of Title III, The Black College and University Act. The proposed new Part B in the Higher Education Act would authorize five years of a ten-year program of capital infusion into each of the historically/traditionally black colleges to carry out the following activities:

(1) Purchase or lease of laboratory equipment for use in instruction or research;

(2) Construction, maintenance or rehabilitation of classroom, library or laboratory facilities;

(3) Program development in disciplines where Black Americans are unrepresented or underrepresented; and

(4) Purchase of library materials including books, periodicals, microfilm and facilities for sharing these and other materials.

The institution's award would be based on the number of full time equivalent (FTE) Pell Grant recipients in attendance at the institution during the school year immediately preceding enactment of the law. The legislation provides incentives to institutions which retain and graduate students within five (5) years and additional incentives to those institutions whose graduates are admitted to graduate and professional schools in courses of study or academic disciplines in which Black Americans are underrepresented. The legislation requires the existence of an institutional development plan, and monitoring and accounting for Federal grant funds. The legislation also requires maintenance of full accreditation and each FTE Pell Grant recipient is weighted according to the added cost of educating a disadvantaged student at that institution.

The authorization for FY 1986 would be \$150 million, rising \$10 million each year to \$200 million in FY 1990.

Part C continues the current Challenge Grant program, with minor modifications.

The new Part D provides for a setaside of \$10 million (or 15 percent of) in Part A funds for Hispanic institutions. Hispanic institutions must meet the Part A eligibility criteria and have a 40 percent Hispanic student enrollment. All Part A eligibility waivers will apply to Part D.

The Hispanic college setaside and waiver provisions are especially important to low-cost public institutions (in California, Texas and North Carolina) and some private institutions which keep costs low—in order to provide access to lower income students—and are unable to reach the Secretary's minimal point total for institutional eligibility. These institutions possess all the characteristics of less well-developed institutions; however, their students do not have "high average Pell Grant and campus-based awards" because of low tuition at these institutions. Community colleges and four-year institutions in California and Texas, and two-year Vocational-Technical schools in North Carolina would benefit from the mandatory waiver provision.

**TITLE IV—STUDENT ASSISTANCE*****Pell Grants***

The current Pell Grant program would be maintained and its entitlement status clarified. Maximum award levels would be increased to reflect the increases in the cost of higher education. The parameters of the Family Contribution Schedule, for the most part, are established in the statute with the Secretary allowed only to do annual updating. A master calendar for the student aid delivery system is also mandated. The statutory definition of "independent student" will preclude, with the exception of graduate students, a person from being dependent in one academic year and being independent in the next academic year. The Simon bill also:

(1) Provides that the 'cost of attendance' be based on a 3 tier formula tied to the student's living situation, and that 75 percent of tuition, fees and required books would be covered by Pell Grants;

(2) Establishes new funding triggers tied to the Pell Grant maximum (\$3,000 in FY 1986, inflated by the CPI minus 1 percent each year through FY 1990) for College Work Study and the Institutional Block Grant;

(3) Permits any student up to five years of Pell Grant eligibility as an undergraduate and eligibility for the first year of graduate or professional school;

(4) Establishes Pell Grant as an entitlement in order to assure funding availability to eligible students and place it on the same footing as the Guaranteed Student Loan program;

(5) Establishes a statutory definition for the "independent student" which presumes dependence for all students below age 24 (and independence for all over age 24, except graduate or professional school students and veterans who would be presumed independent upon enrollment), unless the student can establish that he or she:

(a) Has not and will not be claimed as a dependent on the tax return, for either the year of application or the immediately preceding year, by any parent or guardian;

(b) Has not lived and will not live with any parent or guardian for more than six months during those years;

(c) Has not received and will not receive more than \$1,000 from any such parent or guardian during either of those years; and

(d) Had an independent source of income sufficient to indicate financial independence during such immediately preceding year.

***College Work Study***

Except for the allocation formula, and a flexible, discretionary 10 percent "setaside" for graduate students, the College Work Study program should be retained unchanged.

The new allocation formula would eliminate the State allotment portion of the current law. Under the new formula, the amount of College Work Study money an institution receives would be determined by the sum of two factors in the same ratio to the total of the sums for all eligible institutions.

(1) The total amount of Pell Grants made to students at that institution the previous year; and

(2) The total amount of guaranteed student loans made to students during the previous year.

A 90 percent hold harmless will prevent any institution from experiencing a precipitous decline in this CWS allocation. Authorization for the program should be increased to \$600 million for 1986, \$650 million for 1987, \$700 million for 1988, \$750 million for 1989, and \$800 million for 1990.

The current system of student financial assistance including the two campus-based programs—SEOG and NDSL—and SSIG, is burdensome, plagued with extensive regulations, and allows too little institutional discretion. While students do benefit by receiving assistance from the programs, the manner in which that assistance is made available to institutions, and ultimately to students, leaves much to be desired.

The three programs are combined and institutions would be guaranteed to receive an amount equal to what they received for the three programs in FY 1985 (AY 1985–86). Postsecondary institutions could use the amount of funding for student financial assistance to Title IV Eligible Students, but they would have the discretion to make grants, to extend or to expand awards under the College Work-Study program, or to “capitalize” an institutional-based loan program. The Uniform Methodology and other systems approved by the Secretary would be used to determine student eligibility. Under the Uniform Methodology, a student's and family's income is analyzed along with any significant expenses for medical care, employment, unusual financial situations, the number of people in the family and the number attending postsecondary institutions to determine whether a student needs student financial assistance and if so, how much. The following statutory criteria will be applied to all students applying for institutional Block Grant funds:

- (1) Enrolled or accepted for enrollment at an eligible institution of higher education;

- (2) Carrying or planning to carry at least one-half the normal full-time workload for the course of study the student is pursuing, as determined by the institution;

- (3) Maintaining “satisfactory progress” toward a degree or certificate the student is pursuing according to the standards and practices of the institution at which the student is in attendance;

- (4) Owe no refund on grants previously received at such institution under Title IV or be in default on any loan from a student loan fund at such institution or a loan made, insured or guaranteed under Title IV;

- (5) File with the institution of higher education which the student intends to attend, or is attending, a statement that the money attributable to such grant, loan or loan guarantee will be used solely for expenses related to attendance or continued attendance at such institution;

- (6) Preference for grants to students who demonstrate *exceptional need*; and

- (7) Demonstrated financial need.

Allocations to institutions would be based on the same allotment formula as that proposed for the College Work-Study program. Each institution would be held harmless for the first year at the FY 1985 level (for SEOG, NDSL and SSIG), after which a 90 percent hold-harmless would apply.

For those institutions who currently have a revolving fund in the NDSL program, the monies currently available, loan paper not yet collected, and any funds collected in the future could be used to operate an institutional loan program, *at the option of the institution*. No more than one-half of the funds provided the institutional Block Grant could be used to “capitalize” rates would have further restrictions placed on their use of block grant funds for loan purposes. An agreement with the Secretary will spell out operational terms and conditions—based on statutory eligibility and repayment provisions, assuring that institutional loan collections must meet certain standards if the institution is to continue using institutional block grant funds to capitalize its institutional loan program.

**Guaranteed Student Loan**

The Guaranteed Student Loan program has worked well. The changes that are proposed are for the most part administrative and geared to contain Federal costs in the program while at the same time maintaining access to loans for students:

(1) The Federal Insured Student Loan (FISL) program will be phased down;

(2) The 5 percent origination fee would be eliminated;

(3) Each State will be encouraged to establish an agency to serve as a lender of last resort;

(4) A provision makes the interest rates on GSLs and unsubsidized loans sensitive to rising and falling T-bill rates;

(5) The special allowance is reduced by one-half of one percent to three percent above the bond equivalent of the T-bill rate prior to beginning of the repayment of student loans;

(6) Students would have the option of consolidating eligible student loans, prior to entering repayment, with a lender holding any one of its outstanding loans or the Student Loan Marketing Association. The repayment period may be extended up to 15 years;

(7) All consolidation loans will bear a current interest rate of 9 percent, unless student ALAS loans are included, then the interest rate would be 10.5 percent;

(8) State guaranty agencies will be required to return the Federal advances for the program within five years after receiving them;

(9) All students will have to undergo a "needs" test to determine eligibility for the program;

(10) A provision will be included to enhance the Department of Education's capacity to facilitate collection of GSLs, including making all loans payable to the student and the institution;

(11) Undergraduate students will be allowed to borrow up to \$3,000 and graduate students will be allowed to borrow up to \$7,000 annually under GSL, while parent borrowers will be allowed to borrow their parental contribution in an unsubsidized PLUS (Parent Loans for Undergraduate Students) loans;

(12) Any agency participating in the GSL program will be required to notify Congress of any new lending programs in advance of their implementation; and

(13) A maximum adjusted gross family income of \$65,000 will be established by law, defining family income eligibility for the GSL program.

**TITLE V—TEACHER PREPARATION**

This title essentially was eliminated by the Education Consolidation and Improvement Act of 1981 (P.L. 97-35). Therefore, the title has been completely rewritten. This will accomplish several objectives.

(1) Retain the general purpose of the title, Teacher Preparation and Professional Improvement, in the Higher Education Act.

(2) Reflect recommendations of the Merit Pay Task Force.

(3) Respond to current demands for teacher improvement.

In order to attract the most talented students to teaching, the legislation will establish 10,000 merit-based scholarships (Carl D. Perkins' Scholarships) for high school graduates who wish to enter the teaching profession. The top 5 percent of students would be eligible for the \$5,000 scholarships, which would be repaid by graduates through teaching service (two years of service for each year of scholarship assistance received). These scholarships would be granted in addition to any Title IV student assistance, as long as the cost of attendance at the institution were not exceeded in totalling the Title IV aid and the Perkins'



The bill would establish a Talented Teacher Fellowship to recognize outstanding teachers and to retain them in elementary and secondary school systems. The award would be a \$25,000 fellowship for two teachers in each congressional district (and one each for the District of Columbia, Puerto Rico, the Virgin Islands and each of the territories). The fellowship could be used for additional study, research or travel. The law would require that the recipient return to the same school district to teach for at least two years following the one-year fellowship.

The bill will initiate a national program of institutes and workshops for approximately 200,000 educators a year. The training would include advanced instruction in subject matter, teaching techniques and evaluating teacher performance.

The legislation would provide funding to develop programs to provide professional development opportunities for teachers.

There will be a program of grants to colleges and universities to fund research and faculty improvements, to assess their programs and introduce curriculum changes, technologies and enhance practice teaching experiences in teacher preparation programs.

Funding will be authorized to establish exemplary programs to encourage schools of education to redesign and experiment with their teacher training programs.

H.R. 5240 directs the Secretary of Education to assess the current and future supply of teachers in the United States and the territories, and mandates a study by the National Institute of Education of teacher evaluation methods and further research and development of new evaluation methods.

The Merit Pay Task Force recommended that partnerships be fostered between colleges and elementary and secondary schools. Funding for these programs will provide for direct university involvement with schools in their community through sharing of technology, faculty, and consultation on management and administration. The funding will be based on a joint application by school or school district and the college or university.

Finally, Title V provides "such sums" authorizations for the Perkins' Scholarships and the Talented Teacher Fellowships for the five fiscal years beginning in FY 1986. Summer institutes, workshops and other professional development activities are authorized at \$75 million for each fiscal year, with the first \$50 million reserved for summer institutes. The remaining programs are authorized at \$5 million each.

## **TITLE VI—INTERNATIONAL EDUCATION**

### ***Center for International Education***

Establishing a Center for International Education within the Department of Education will help to elevate this critical function and insulate international education programs from the neglect and/or hostility of assistant secretaries whose agendas do not include these programs. The Center, under a Director appointed by the Secretary of Education, will provide strategic planning for area and foreign language studies.

In consultation with the Director of the Center, the Advisory Board for International Education will monitor programs and advise the Secretary of Education on such issues as trends in student enrollment that might portend shortcomings in future pools of regional experts and language specialists; the impact of international education programs on international business, foreign policy, and educational needs; and languages and areas of the world which should be considered of special concern to the national security and therefore given high priority for study and support.



The Center will also serve as a clearinghouse for information regarding fellowships and other financial support in the areas of foreign exchanges and foreign language study. The Center will thus become a visible, central source of reliable information on these scattered programs. This function will help to ensure broader dissemination of such information to the general public.

#### *Faculty and Student Study Abroad*

Because of the alarming decline in the number of faculty members in higher education who are studying or teaching abroad, the legislation will expand the foreign study programs.

Faculty study abroad will be stimulated via grant awards to institutions of higher education (with preference given for travel to areas deemed of special value to the national interest). Institutions with an enrollment of 1,000 students or more will be eligible for grants totalling \$15 times the student enrollment. Institutions with enrollments under 1,000 but more than 500 will be eligible for grants totalling \$15,000. (Authorizations for Faculty Study Abroad: \$180 million for FY 86 and each of the four succeeding years.)

The Secretary of Education will also be authorized to award grants to institutions of higher education to enable students to develop foreign language skills and increase their knowledge of foreign cultures and areas through study abroad. (Authorization: \$5 million for FY 86; \$10 million for FY 87; \$15 million for FY 88; \$20 million for FY 89; and \$25 million for FY 90.)

Both faculty and student study abroad grants will be awarded according to a list of priority languages and areas deemed by the Advisory Board to be of special importance to the national security, the international trade, and other interests of the United States.

#### *Other Provisions*

A Foreign Language Periodical Center will be established (Authorization: \$1 million).

Funding for overseas language centers administered by the Department of Education will receive additional support (Authorization: \$3.5 million for FY 86 and each of the four succeeding years.)

Finally, a new Cross-National Study Fund for research will be established. (Authorization: \$1 million.)

### **TITLE VII—CONSTRUCTION, RECONSTRUCTION AND RENOVATION OF ACADEMIC FACILITIES**

Title VII will be revised to eliminate the existing State allotment formulas, but to maintain the basic purposes of the title. Emphasis, however, will be placed on two areas: (1) low-interest loans for construction of academic and research facilities; and (2) matching grants for the purpose of laboratory and instructional equipment.

The proposed changes will be divided into two parts within Title VII:

(1) Part A—will authorize "such sums" for low-interest loans to institutions of higher education for construction, rehabilitation or renovation of academic facilities. The Secretary will make and insure such loans from a revolving fund upon application by an eligible institution. At least 50 percent of the total cost of the proposed project must come from private or State revenue sources.

(2) Part B—will authorize \$100 million annually over five years for matching grants to eligible institutions for the purchase of laboratory, research and other instructional equipment.

### **TITLE VIII—COOPERATIVE EDUCATION**

Cooperative Education is an educational strategy that integrates, in a structured way, on-campus study with off-campus, occupational-related work experience.

Cooperative education students nationwide pay an average of \$600 a year in Federal income and employment taxes. With 200,000 students in cooperative programs, this represents revenue to the U.S. Treasury of the magnitude of \$120,000 per year. The current Federal investment in cooperative education under Title VIII is \$14,400,000. An 800% return on this investment is impressive.

Title VIII enlarges the support for cooperative education programs through five-year grants to colleges and universities to develop comprehensive cooperative education programs. The program would be authorized at \$90 million, and be awarded to institutions meeting criteria including the ability to match at 25 percent the Federal contribution, and submission of a five-year plan for the program.

### **TITLE IX—GRADUATE EDUCATION**

Parts A, B and E will be extended in their present form with the following modifications:

Part A—Authorizations for FY 1986 through 1990 will be "such sums as may be necessary".

The Graduate and Professional Fellowship Award ceiling will be increased from \$4,500 to \$9,000 and the authorization increased to \$60 million in FY 1986, \$70 million in FY 1987, \$80 million in FY 1988, \$90 million in FY 1989 and \$100 million in FY 1990. Institutions will give priority to the neediest students for awards.

The National Graduate Fellow Program will be renamed the "Jacob K. Javits Fellowship Program". Four hundred and fifty merit-based fellowships will be awarded annually for graduate study in the arts, humanities and social sciences and areas of national interest designated by the Board. The fellowship award will be \$9,000 and the program will be authorized at \$60 million.

The CLEO Program would be modified in minor ways, and authorization levels for CLEO would increase to \$5 million in FY 1986 and would add \$1 million each year thereafter through FY 1990.

### **TITLE X—FUND FOR THE IMPROVEMENT OF SECONDARY EDUCATION AND THE MINORITY INSTITUTIONS SCIENCE IMPROVEMENT PROGRAM**

FIPSE will be extended as a separate entity within the Department of Education. The Minority Institutional Science Improvement Program (MISIP) will be established as a separate entity under Title X.

### **TITLE XI—URBAN GRANT UNIVERSITIES**

Title XI authorizes an *Urban Grant University Program* (sec. 1101-1105) for the purpose of aiding urban universities to help address urban problems and to make their resources more readily and effectively available to the urban communities in which they are located. The authorization for this program is \$15 million for FY 1981, \$25 million for FY 1982, \$35 million for FY 1983, \$45 million for FY 1984, and \$55 million for FY 1985.

A simple extension of Title XI, as proposed by Representatives Ford and Coleman in H.R. 3384, is incorporated in H.R. 5240.

## **TITLE XII—ENDOWMENT DEVELOPMENT**

This new program would make \$600 million available to the Secretary of Education to award institution endowments. The maximum award an institution could receive would be \$500,000 and an institution will be eligible for only one award. Minimum awards would be to \$100,000. The amount an institution receives will be based upon its need as determined by its educational and general expenditures as compared to other similar institutions; the number of students attending the institution who receive need-based student financial assistance from all sources; the average amount of student assistance received by students as compared to the average amount of assistance received by students at comparable institutions; and the amount of endowment that the institutions possess as compared to other similar institutions.

## **TITLE XIII—GENERAL PROVISIONS**

The General Provisions section establishes new authorization levels for Howard University, Gallaudet College and the National Technical Institute for the Deaf for FY 1986 and "such sums" authorizations for the remaining four fiscal years. A new authorization for the John W. McCormack Institute at the University of Massachusetts is also provided.

A new 21 member National Advisory Commission on Postsecondary Education is also established to advise the Secretary and the Congress on matters affecting higher education, including continuing education, student assistance and services, college libraries and facilities, teacher preparation, and institutional endowments.

A new provision governing congressional review and adoption of all regulations promulgated by the Department of Education governing higher education programs is also included. No regulation which is not adopted by a joint resolution of the Congress, and signed by the President, would become effective.